



Department of Justice

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JUSTICE DEPARTMENT SUES TO BLOCK CHANCELLOR MEDIA CORP.'S ACQUISITION OF SFX BROADCASTING'S LONG ISLAND RADIO STATIONS

First Radio Merger Court Challenge

WASHINGTON, D.C. -- The Department of Justice today sued to block Chancellor Media Corp.'s acquisition of SFX Broadcasting Inc.'s four Long Island, New York radio stations because it would result in local businesses paying higher radio advertising prices, which would ultimately be passed on to consumers.

This is the first time the Department's Antitrust Division has had to go to court to challenge a radio merger. In five previous deals the Department reached settlements that resolved competitive concerns. Three additional deals were restructured or abandoned without going to court.

The Department's Antitrust Division said that the merger--worth about \$54 million--would create a dominant Long Island radio group with more than 65 percent of the market.

On Long Island, Chancellor and SFX are the two largest radio groups with Chancellor owning two stations and SFX four. In particular, Chancellor's WALK-FM and SFX's WBLI-FM and WBAB-FM have been each others' primary competitors in the sale of local radio advertising in Suffolk County. This merger would end the competitive battle between the two companies, the Department said.

"Allowing Chancellor to buy a dominant position in this concentrated market will result in higher radio advertising prices for Suffolk County businesses that rely on radio to sell their products and services," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. "These stations have been locked in a daily competitive battle. This deal will end that battle and consumers will lose."

Chancellor's chief financial officer wrote to the Chancellor board of directors that the acquisition "will make Chancellor the dominant radio broadcaster" on Long Island, the Department said in its suit.

According to the complaint, which was filed in U.S. District Court in Brooklyn, New York, Chancellor recognized that its acquisition of the SFX Long Island stations would enable it to eliminate competition between the two radio broadcasters and increase the prices it charges advertisers.

The complaint quotes Chancellor executives as saying that the merger "will result in less competitive 'undercutting'" and that "[r]ates will increase as a result of [the] removal of competitive pressures."

The Chancellor and SFX radio stations are three of the top four stations in Suffolk County based on advertising revenues, and dominate key listener demographic groups, especially adults aged 25-54. About 1.3 million people live in Suffolk County.

The deal involves an asset exchange agreement whereby SFX agreed to swap its four Long Island-based radio stations for Chancellor's two Jacksonville, Florida, stations--WAPE-FM and

WFYV-FM--and an additional \$11 million. SFX owns radio stations WIVY-FM, WKQL-FM, WPDQ-AM AND WOKV-AM in Jacksonville.

In addition to blocking the merger, the complaint also seeks to terminate the local marketing agreement (LMA) under which Chancellor has been temporarily operating SFX's Long Island radio stations. This would stop the companies from making joint decisions on the prices of advertising and on programming.

Chancellor, headquartered in Irving, Texas, is the second largest radio broadcaster in the U.S. It owns 95 radio stations in 21 major U.S. markets, including a presence in each of the 12 largest markets. On Long Island, Chancellor owns WALK-FM and WALK-AM. Chancellor is a recent conglomeration of Evergreen Media Corp., Chancellor Broadcasting Company and the Viacom International Inc.'s former radio group. These companies generated sales in excess of \$800 million last year.

SFX, headquartered in New York City, owns or operates 85 radio stations located in 23 metropolitan areas in the U.S. On Long Island, SFX owns WBLI-FM, WBAB-FM, WHFM-FM and WGBB-AM. SFX's 1996 revenues were about \$282 million.

Chancellor and SFX have 20 days to answer the government's complaint. The court will then set a schedule.

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